

IDC PERSPECTIVE

The Very Group: The DNA of Data Value Creation Through AI

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EXECUTIVE SNAPSHOT

FIGURE 1

Executive Snapshot: The Very Group – The DNA of Data Value Creation Through AI

This IDC Perspective analyzes how the multibrand online retailer The Very Group conceived a data framework, internally called the DNA, to leverage data for business improvement and continuous transformation. The report highlights the initial context and challenges Very faced, the steps in the development of the DNA framework, the goals achieved, and the business value generated through this journey.

Key Takeaways

- Very developed DNA, a data framework that leverages data for business improvement and continuous transformation.
- The DNA framework turns data into insight that drives tangible actions for enhanced customer experience and more effective decision making.
- Within Very, the DNA team collaborates with internal partners among business units to generate actionable insight into specific areas of expertise through advanced data analytics.
- Very partnered with AWS to co-create a modern, modular AI architecture through which specific use cases are run through the DNA framework.
- The application of the DNA framework enhanced customer experience and operational efficiency, including a 10% improvement in demand forecast accuracy.

Recommended Actions

- Put the customer at the center of the transformation project, and focus on the customer experience you aim to deliver.
- Involve internal partners across your organization in the transformation process, encourage their ownership and active participation in the project, and facilitate internal collaboration to break silos.
- Take advantage of agile technology, such as modern AI architectures, to facilitate the implementation of new capabilities and to scale successful ones.
- Choose the right technology partners, and create a solid collaboration that meets your transformation priorities.
- Plan for continuous improvements as you advance with the project, and leverage opportunities coming from next-generation technology including generative AI (GenAI).

Source: IDC, 2023

SITUATION OVERVIEW

This IDC Retail Insights study focuses on U.K.-based multcategory online retailer and flexible payments provider The Very Group, which operates Very. The company developed a data strategy – powered by AI – to improve forecasting and manage retail pricing and promotion to reduce cost and drive revenue growth. IDC interviewed Steve Pimblett, Chief Data Officer at The Very Group, on the company's transformation program.

IDC Retail Insights' case studies series comprise fact-based, consistent, and independent views on insightful projects implemented by companies. It focuses on new business models, IT solutions implementations, and more broadly, technology initiatives that contribute to innovation and enhancements in customer experience and commerce. Collaborating with companies and technology providers personnel directly involved in these projects, IDC Retail Insights analysts gathered all relevant information, analyzed the approaches taken, and assessed the solutions' success in meeting the stated goals for this case study

Project Background and Objectives

With annual revenue of £2.15 billion, The Very Group is the largest U.K.-headquartered integrated pure-play digital retailer and flexible payment provider. The company's purpose is to help families get more out of life through its combination of 2,000 big brands, a simple online experience, and flexible ways to pay via its Very Pay platform. The group receives 1.4 million daily website visits from its 4.4 million customers across the U.K. and Ireland, and it delivers 42 million items annually.

Very has a long history of being there for families, transforming from catalogues, to bricks, to clicks, to mobile, over the past 100 years.

Thanks to the size of its operations, the company sits on a wealth of data that can be leveraged as a precious resource for Very's business to support its customer base.

"The scale and the landscape of the data at Very are fantastic. As a Chief Data Officer, it's like being a kid in a sweet shop," said Pimblett. He added: "Not being digitally native does present challenges. But, as transformation is part of our DNA, the business embraces change and our digital transformation has been no different."

Solution Selection and Implementation

In this context, Very conceived a data framework called DNA to leverage data for business improvement and continuous transformation. DNA stands for Data, INsight, and Action, the pillars of the company's strategic approach.

As part of this strategy, Very differentiates between "data as an asset" (that is, the value creation through data insight action – how to take rich customer information and what the company knows about the customer and turn it into a personalized experience for the customer) and "data as a liability" (i.e., the implications of handing data in terms of risk, ethics, privacy, and security, underpinned by the concept of trust, the fourth pillar in Very's DNA strategy). A key goal of DNA is to balance the scale of both data as an asset and as a liability.

As part of the strategy, the data team at Very was rebranded as the DNA team. The team focuses on harnessing data that enables the retailer to delight customers, empower colleagues, and drive efficiencies in decision making and business processes.

From a customer point of view, Very uses data to understand their attributes and personalize customer experience across multiple touchpoints, including the retailer's app, website, and marketing content. "We are using data to create increasingly personalized experiences that delight our customers, whether they are shopping on Very's app or website, using social media, or engaging with us via the different media channels we use for marketing," Pimblett said.

The company also leverages the Data-INsight-Action scheme for decision making, including credit scoring, fraud prevention, and retail demand forecasting. The latter is a critical application for Very as the company sells 2,000 brands and has half a million stock-keeping units (SKUs) at any point in time. Very uses data and AI to decide the right unit to buy in the right month, week, stock, color, and size. Finally, the DNA framework generates actions to run the retailer's customer service chatbot, Very Assistant.

FIGURE 2

Very's DNA Framework



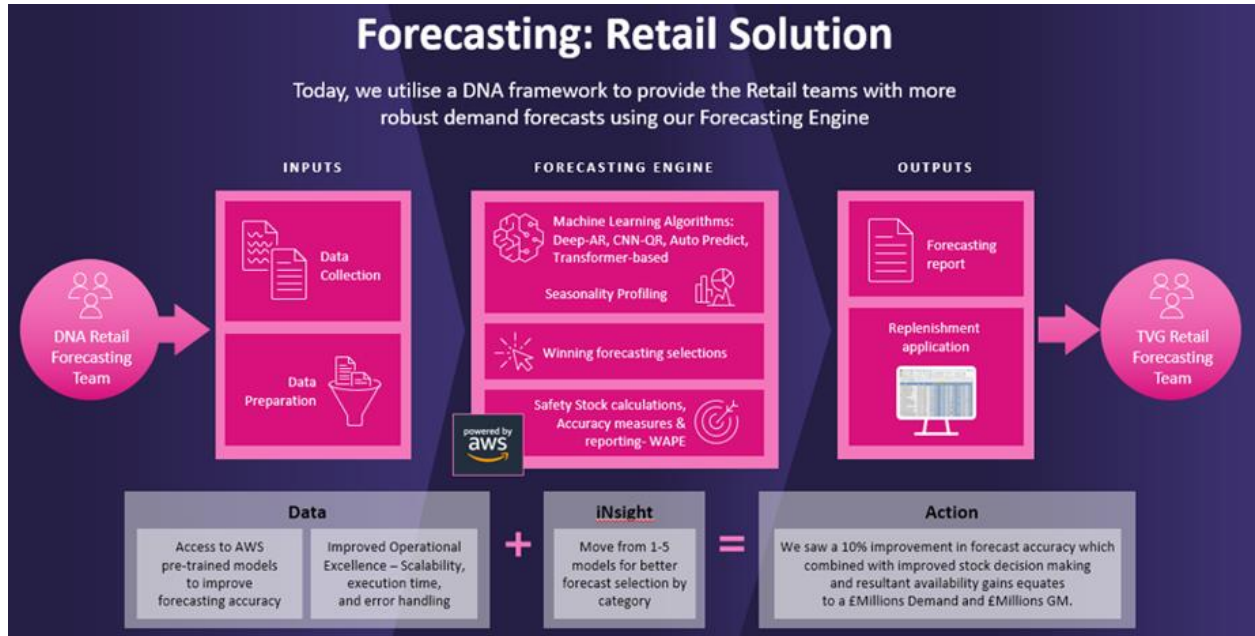
Source: The Very Group

Very's DNA framework is based on a hub-and-spoke model. The DNA team, which consists of 150 people, is structured as hubs, with each hub being a center of excellence with expertise in a particular topic such as platforms, business intelligence, machine learning operations (MLOps), and data science. The hubs help the business verticals or spokes – including customer experience, marketing, supply chain, retail, and financial services – by leveraging customer data and generating actionable insights into that particular business vertical. The DNA team runs like an agency, distributing and managing demand and doing joint ventures with spokes that fund DNA's areas of expertise to develop data analytics for their specific divisions.

To implement its DNA strategy, Very collaborates with cloud-computing provider AWS, which is Very's provider of choice for data and analytics, including AWS services such as Amazon SageMaker for forecasting and AI/ML solutions to accelerate and build new retail demand forecasting capabilities. "AWS is a trusted partner for Very, as it can scale and has the capacity skills required for the tasks," said Pimblett.

FIGURE 3

Very Groups Forecasting Process



Source: The Very Group

Working backwards from the most relevant customer use cases with AWS, Very created the Lab Environment, a modular architecture framework in which each topic the business wants to focus on – such as demand forecasting, price elasticity, promo optimization, NPS drivers, and visitor forecasting – is run through Very's Data-INsight-Action scheme. Using AWS as the underlying cloud technology enables Very to leverage customer data on a massive scale for its business cases.

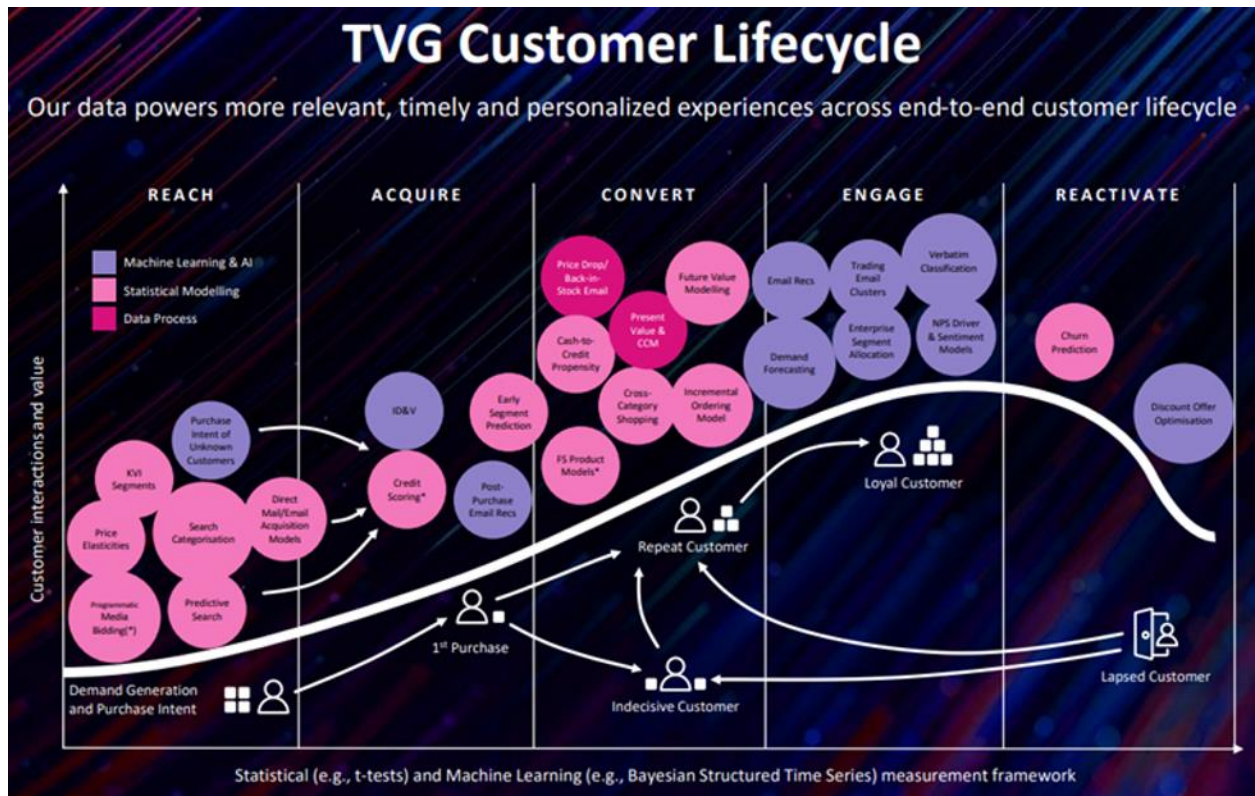
The Lab Environment runs on a single platform that enables Very to work with best-of-breed technology partners while focusing on offering users – the hubs and spokes – a scalable and modern AI architecture. This architecture enables Very to get scale, commonalities, and reuse as well as facilitate partnering with each spoke of the business.

Business Value

Several customer-centric use cases are covered by Very's DNA strategy and powered by the Lab Environment are realized with AWS cloud as the technological foundation, as shown in Figure 4. These use cases span across the entire customer life cycle to create great customer journeys for families who rely on the ease, choice, and understanding Very offers.

FIGURE 4

Use Cases Mapping Across Customer Life Cycle



Source: The Very Group

Among the use cases in Figure 4, demand forecasting is an example of how Very's AI-powered DNA framework generates business value. Very deals with 170,000 product lines and 200,000-500,000 SKUs across different categories. To make informed decisions on which stock to purchase and replenish based on variable customer trends and capital expenditure constraints, the company worked with AWS, leveraging the AWS AI service Amazon SageMaker to create a sophisticated engine that recommends at an individual SKU level what Very should be doing at any point in time. This engine leverages AI to drive efficiencies in demand forecasting across a complex multicategory digital retail business. The target audience for these recommendations consists of the circa 90 buyers who manage all the relationships with the suppliers.

The impact of the enhancements in demand forecasting results in greater operational efficiency and better customer experience. "By improving our forecast accuracy, we can purchase the right type of stock and maintain better availability, which leads to greater customer satisfaction. Additionally, we can avoid over-ordering stock, which results in lower capital outlay and less clearance. This is a win-win situation for both the customer and value creation," said Pimblett.

With the adoption of the DNA framework for demand forecasting, Very had a 10% improvement in forecast accuracy, which resulted in improved stock decision making and greater stock availability for customers.

Demand forecasting is an example of how Very innovates through its DNA framework. The company is taking a topic-by-topic approach, investing money to generate ideas, and learning quickly via a test-and-learn approach. Ideas that succeed can be scaled up with the help of Very's partners. This fit-for-

purpose approach enables Very to continue innovating and improving its platform, involving and educating more and more non-technical people to its platform approach.

The DNA framework is also helping to generate greater internal partner engagement and innovation. For example, to strengthen partnerships with its internal buyers and involve them in the innovation process, Very has implemented a process called Leading with Insight. This process involves testing and learning, in which the company does not just give recommendations but enables the buyer to experiment with demand forecasting with one product line, measure that, and see the tangible impact. This approach is part of the adoption cycle, which is not just about technology but also about culture, engagement, and the hub-and-spoke model. Additionally, Very has a change management framework that involves releasing at a low level and taking 1% of SKUs to see the improvement in those SKUs because of DNA framework adoption.

Despite challenging economic conditions, Very delivered market-beating top-line growth and its best-ever customer satisfaction score in its financial year 2023 (the 52 weeks ended July 1, 2023). Data and insight, which are embedded throughout the retailer's business model, played a key role in delivering these results.

Lessons Learned

A factor that made Very's DNA framework a success is the extent of the collaboration between the company's internal and external partners. "The DNA framework is not just the result of a platform that we adopted. Rather, it's a partnership, and we actually run a joint venture with our retail buying team, our DNA team, and AWS," said Pimblett.

The partnership has enabled the company to create an end-to-end forecast at a massive scale, going from a one-time series category-level model to an individual model for every product line accuracy. The collaboration has also led to the development of a champion challenger environment, in which different models can be used based on different trends such as seasonality, out of stock, and new stock.

The adoption of the model and the release of value when more accurate predictions were obtained than old techniques were crucial. The model is now fully live end-to-end and is in a process of continuous improvement. For instance, the company is realizing that it was siloed with retail-only data, that marketing data will drive demand, and that it needs to be taken into account and fed into the econometric model. Weather data also needs to be used so that the company can start to overlay and share the information it is building in all silos across the business, creating ever sharper, better predictions.

This collaboration has been transformational for The Very Group as it has enabled the company to move from a single recommendation to live-level recommendations that continuously learn and challenge the champion environment.

Future Plans

Very is working on several initiatives to improve its platform. The company is innovating and making improvements on seasonality for trend-led categories such as fashion. It is also looking at competitors' pricing to achieve greater sophistication and improve forecast accuracy.

Additionally, Very is moving to full MACH architecture, which fits well with the DNA framework as the company can plug data into ecommerce to offer truly personalized customer experiences. As recently announced in Very's financial year 2023 results, "investments in technology transformation continued, including the ongoing migration of systems to a new ecommerce platform and the introduction of AI-powered product discovery across Very's website and app."

The opportunities for data and analytics for retailers are enormous at the moment, particularly with the advent of generative AI. Very sees the potential of the application of the technology, and in collaboration with AWS, the company recently launched its new GenAI innovation lab powered by AWS. It combines Very's retailing experience and insights with AWS' advanced cloud and generative AI capabilities to explore use cases in which generative AI can improve customer experience – product description is one such use case. The company is prototyping a generative AI model that leverages existing short descriptions and images of the products to generate full descriptions for all items in the company's catalog, improving search features for customers and resulting in better shopping experiences. The model will also be able to generate images for all sizes of products in categories such as fashion. The company is also looking to leverage new large language models (LLMs) to make chatbot capabilities richer and more conversational.

The use of GenAI is expected to become a central pillar of Very's DNA framework and to provide actionable insights for customer experience and better real-time decision making at scale, aiming at improving productivity and customer experiences.

ADVICE FOR THE TECHNOLOGY BUYER

To ensure the success of similar transformation projects, retailers should consider the following:

- Put the customer at the center of the transformation project, and focus on the customer experience you aim to deliver.
- Be clear on the key goals and objectives you aim to achieve with the transformation project. Align the development of technology-enabled capabilities with a clear business strategy, following a fit-for-purpose approach.
- Involve internal partners across your organization in the transformation process, encourage their ownership and active participation in the project, and facilitate internal collaboration to break silos.
- Capitalize on the value of legacy architecture and existing customer data, and work with technology providers to transpose this value to the new architecture.
- Take advantage of agile technology, such as modern AI architectures, to facilitate the implementation of new capabilities and to scale successful ones.
- Set up a change management framework to facilitate a process of trial and error that will help identify capabilities that work well and can be further expanded.
- Choose the right technology partners, and create a solid collaboration that meets your transformation priorities.
- Plan for continuous improvements as you advance with the project, and leverage opportunities from next-generation technology including generative AI.

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Related Research

- *Reverse Experiences for Customer-Led Retail: Key Insights from the IDC European Retail Xchange 2023* (IDC #US50023423, October 2023)
- *IDC TechBrief: Customer Data Platform in Retail* (IDC #US49190523, October 2023)
- *IDC Innovators: Retail Immersive Customer Experience, 2023* (IDC #EUR151246323, September 2023)
- *Global Retail Survey, 2023: Findings and Implications* (IDC #EUR151198923, September 2023)
- *IDC Innovators: AI for Order Management, Fulfillment, and Last-Mile Delivery 2023* (IDC #EUR151112523, August 2023)

Synopsis

This IDC Perspective analyzes how leading U.K.-based multicategory online retailer and flexible payments provider The Very Group conceived a data framework, the DNA, to leverage data for business improvement and continuous transformation. The report highlights the initial context and challenges Very faced, the steps in the development of the DNA framework (created in partnership with cloud-computing provider AWS), the goals achieved, and the business value generated through this journey.

"In digitally advanced retail, data has become the most precious resource for companies," said Filippo Battaini, research manager, IDC Retail Insights. "The Very case study shows how companies can better leverage their data assets through advanced analytics and foster partnerships within and outside the organization to streamline their businesses and enhance customer experience."

Ornella Urso, head, IDC Retail Insights Europe, added: "The Very Group's innovative approach, developed using AWS technology, is a great example for the industry regarding the power of leveraging AI/ML capabilities in retail. Fueled by generative AI, the opportunities for retailers to use data and analytics to improve customer experience and internal processes are enormous. At IDC, we see improving product data as a top use case for retailers, and The Very Group taps into that with its initiative to use generative AI to improve product descriptions and images. In the long term, tapping into generative AI not only brings innovation at the forefront of the retail industry, but it is also aligned with The Very Groups' continuous efforts to improve the buying experience of its customers."

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